

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 21, 2017**

**TO:** Honorable John Zerwas, Chair, House Committee on Appropriations

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB579** by Turner (relating to notice by a state agency regarding certain contracts for which the actual cost exceeds the contracted amount.), **Committee Report 1st House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend Chapter 2261 of the Government Code, regarding contracting standards and oversight.

The bill would require a state agency to provide notice to the Governor, Lieutenant Governor, Speaker of the House of Representatives, each member of the legislature, the Legislative Budget Board (LBB), and the State Auditor's Office, in accordance with procedures established by the LBB, for each of the agency's contracts to purchase services from a vendor for which the actual cost of the service exceeds the amount contracted for the service by \$1 million or more.

The bill would require a state agency to provide the notice not later than the 30th day after the date the actual cost exceeds the contract amount by \$1 million. The bill would require the notice to include the amount of the excessive cost; the reason for the excessive cost; any opportunity the agency had to lessen the excessive cost or purchase the service from another vendor after the excessive cost was disclosed; and any other information the LBB determines relevant.

The bill would authorize the LBB to assess an enforcement mechanism against a state agency that the LBB determines has failed to provide notice as required by the bill's provisions. The bill would require the enforcement mechanism to be assessed in accordance with the schedule developed under the bill's provisions.

The bill would authorize the LBB to establish a schedule of enforcement mechanisms that are authorized to be assessed against a state agency for a violation of the bill's provisions. The bill would include among the enforcement mechanisms: (1) enhanced monitoring of the state agency's contracts by LBB personnel; (2) required consultation with the Contract Advisory Team and the Quality Assurance Team before issuance of a contract by a state agency; (3) targeted audits by the state auditor's office at the request of the LBB; and (4) recommended cancellation of a contract to purchase services for which the actual cost of the services is determined to exceed the amount contracted for the services by \$1 million or more.

The bill would authorize the LBB's director to recommend to the LBB an enforcement mechanism to be assessed against a state agency for a violation described by the bill's provisions. The bill would authorize the LBB to increase the severity of an enforcement mechanism assessed against a

state agency for repeated violations.

The bill would authorize the LBB to dismiss an enforcement mechanism assessed against a state agency by the LBB for a violation described by the bill's provisions on successful implementation of corrective action approved by the LBB.

The bill would take effect on September 1, 2017.

The State Auditor's Office and the LBB indicate that they could absorb the costs of the bill within current resources.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 308 State Auditor's Office

**LBB Staff:** UP, KK, JPU, DRE